

## Message Text

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67

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 SSO-00 NSCE-00 INRE-00 USIE-00 DRC-01

/153 W

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O 142119Z SEP 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC IMMEDIATE 954

C O N F I D E N T I A L LA PAZ 5649

JOINT EMBASSY/AID MESSAGE

E.O. 11652: GDS

TAGS: ECON, EFIN

SUBJ: FORMER GOB ECONOMIC ADVISER WILLY VARGAS RE GOB  
FISCAL REFORM PLANS

1. ON SEPT. 13 ACTING USAID DIRECTOR MUDGE LUNCHEd WITH  
FORMER GOB ECONOMIC ADVISER WILLY VARGAS WHO REPORTED  
FOLLOWING:

A. VARGAS WORKING ON PRESIDENTIAL COMMISSION FORMED A  
MONTH AGO TO RECOMMEND MEASURES FOR IMPROVING BAD GOB  
FISCAL SITUATION.

B. THE COMMISSION HAS THE PRESIDENT'S CONFIDENCE AND  
INCLUDES AMONG OTHERS: CURRENT GOB ECONOMIC ADVISER GASTON  
VILLA, FINANCIAL ADVISER DAVID BLANCO, PRIVATE SECTOR  
REPRESENTATIVE ADELBERTO VIOLAND.

C. COMMISSION WILL REPORT TO CABINET ON MONDAY, SEPT. 17  
WITH RECOMMENDATIONS INCLUDING AMONG OTHERS THE FOLLOWING:

- (1) INCREASED TAXES, INCLUDING IMPORT AND EXPORT DUTIES.
- (2) REDUCTION OF GOB EXPENSES.
- (3) REDUCTION OF SUBSIDIES FOR FLOUR AND PUBLIC TRANSPORTATION.

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- (4) INCREASED DOMESTIC PRICE CEILING ON MEAT TO FACILITATE

INCREASED EXPORT EARNINGS.

(5) ELIMINATING GOB AS PARTY TO LABOR NEGOTIATIONS, I.E.  
WAGE NEGOTIATIONS TO BE MATTER BETWEEN EMPLOYER AND EMPLOYEES.

D. MEASURES DISCUSSED WITH AND APPROVED BY PAZ ESTENSORRO.

E. WILLINGNESS TO SUPPORT SUCH MEASURE WAS AMONG CRITERIA  
IN SELECTION OF NEW CABINET.

F. APPROACHING SELECTIONS AMONG FACTORS DICTATING AGAINST  
FURTHER DELAY.

G. GOB CURRENTLY ESTIMATES \$B. 1.2 BILLION CY 73 DEFICIT,  
OF WHICH EXISTING AID PROGRAM LOANS, COUNTERPART, AND DEBT  
CARRYOVER, COULD COVER ABOUT \$B.0.3 BILLION. FX RESERVES  
DOWN TO \$32 MILLION AND FAST  
DWINDLING. VARGAS ESTIMATES THAT PROPOSED MEASURES COULD  
REDUCE UNFINANCED DEFICIT TO ABOUT \$B.0.45 BILLION IN CY  
73, WITH STRONGER IMPACT IN CY 74.

H. GOB FISCAL PLIGHT AGGRAVATED BY NEAR CERTAIN FAILURE OF  
\$225 MILLION LOAN DEAL.

I. BANZER WOULD BE ASKING PRESIDENT NIXON FOR HELP IN FORM  
OF ANOTHER PROGRAM LOAN (VARGAS ESTIMATED MAGNITUDE \$30  
MILLION) TO BOLSTER FX RESERVES AND FINANCE INVESTMENT BUDGET.

J. GOB ALSO SEEKING RENEWAL IMF STANDBY. IMF TEAM DUE HERE  
IN EARLY OCTOBER.

2. MUDGE OFFERED NO ENCOURAGEMENT RE PROPOSED PROGRAM LOAN,  
WHICH, IN ANY EVENT, WOULD NOT SIGNIFICANTLY HELP WITH  
OPERATING BUDGET DEFICIT; COMMENDED PROPOSED MEASURES  
AFFECTING REVENUES AND EXPENSES AS ESSENTIAL TO FORESTALL  
FISCAL AND ECONOMIC DISASTER; AND STRESSED THE IMPORTANCE  
OF INCREASED DRAWDOWN OF EXISTING FOREIGN LOAN PIPELINE.

3. MUDGE NOTED POTENTIAL ADVERSE IMPACT OF GOB'S RECENT  
COTTON FUTURES POLICY ON FUTURE MARKET FOR BOLIVIAN PRODUCTS AND  
CLIMATE FOR FOREIGN INVESTMENT IN BOLIVIA. VARGAS CONCURRED,  
SAID POLICY RESULT OF PRESSURE FROM COTTON PRODUCERS.  
BREWIN

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## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Draft Date:** 14 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** collinp0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FORMER GOB ECONOMIC ADVISER WILLY VARGAS RE GOB FISCAL REFORM PLANS  
**TAGS:** ECON, EFIN  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005